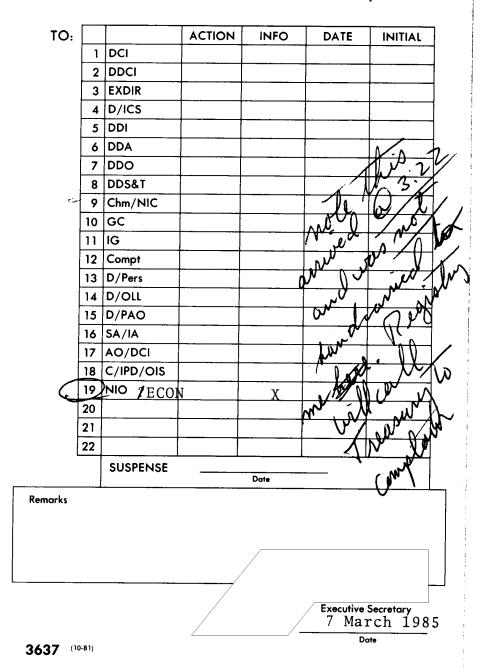
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# OFFICE OF THE SECRETARY OF THE TREASURY WASHINGTON, D.C. 20220

Executive Registry

85- 954/1

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March 6, 1985

UNCLASSIFIED (With Confidential Attachment)

MEMORANDUM FOR THE VICE PRESIDENT

THE SECRETARY OF STATE

THE SECRETARY OF DEFENSE

THE SECRETARY OF AGRICULTURE

THE SECRETARY OF COMMERCE

THE SECRETARY OF TRANSPORTATION

THE SECRETARY OF ENERGY

DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET

DIRECTOR OF CENTRAL INTELLIGENCE UNITED STATES TRADE REPRESENTATIVE

ASSISTANT TO THE PRESIDENT FOR NATIONAL SECURITY AFFAIRS

ASSISTANT TO THE PRESIDENT FOR POLICY DEVELOPMENT

CHAIRMAN, COUNCIL OF ECONOMIC ADVISERS

DEPUTY SECRETARY OF THE TREASURY

SUBJECT:

Senior Interdepartmental Group on

International Economic Policy (SIG-IEP)

The time and agenda for the SIG-IEP meeting previously scheduled to be held on Thursday, March 7 at 3:00 p.m has been changed. The meeting is now scheduled to be held on Thursday, March 7, 3:30 - 4:00 p.m. in the Roosevelt Room. Discussion of U.S.-Japan Trade Negotiations will be the only agenda item. A brief paper to guide the discussion is attached.

Edward J. Stucky

Acting Executive Secretary

cc: Staff Secretary and Deputy Assistant to the President Deputy Assistant to the President for Cabinet Affairs

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#### MOSS IMPLEMENTATION

The Under Secretaries will meet with their Japanese counterparts March 15 to discuss implementation of the market-oriented, sector-selective (MOSS) talks with Japan. The SIG-IEP should review the current status, consider ways of strengthening U.S. preparations, and discuss the need to signal our determination to the Japanese side.

#### Current Status

- Telecommunications: MOSS process not begun pending resolution of draft regulations on privatization of phone monopoly. Discussions on regulations underway.
- Electronics: Organizational meeting held.
- Forest products and paper: Japan refused to discuss tariff cuts; no further meeting scheduled.
- Medical equipment and pharmaceuticals: First meeting March 12.

## U.S. Preparations

The U.S. effort is uneven -- preparations extensive in telecommunications, just beginning in medical equipment and pharmaceuticals. The Japanese, once fearful of the MOSS initiative, are now relaxing as our lack of preparation in some areas becomes evident. The SIG-IEP may wish to consider whether the U.S. effort could be improved by:

- Establishing a timetable. The May Bonn Summit has been viewed as a benchmark for progress. Is that realistic? Should there instead be a schedule for various stages: general discussions with Japan; preparation of U.S. analysis of Japanese barriers; presentation to Japanese of list of barriers to be removed; negotiation of removal; and deadline for agreement?
- Strengthening management and coordination. Perhaps the U.S. chairman of each U.S. team should present a report to the SIG-IEP at each stage mentioned above. In-depth analysis of the Japanese market by each team appears necessary.

## Leverage

The Japanese now seem to be taking a relaxed approach to the general MOSS initiative while specifically ruling out discussion of tariff cuts in the forest product sector. The SIG-IEP may want to discuss whether it is now appropriate to order staff work on possible leverage to use in the talks. In particular, the United States should respond to Japan's position on tariffs on forest sector products.

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